



*State of New Jersey*  
Board of Public Utilities  
Two Gateway Center  
Newark, New Jersey 07102

James E. McGreevey  
*Governor*

Jeanne M. Fox  
*President*

*Dear Friend,*

*I am pleased to present to you the 2002 accomplishments of the New Jersey Board of Public Utilities (NJBP). This report highlights the progress we have made this past year working with Governor McGreevey to improve the quality of life for residents of this state.*

*Every citizen of New Jersey is impacted by the work we do at the NJBP. The NJBP has general oversight of the state's energy, telecommunications, water/wastewater and cable television industries and is dedicated to ensuring safe, adequate and proper utility services at reasonable rates.*

*We are your state utility regulatory authority and we are here to serve you.*

*Sincerely,*

*Jeanne M. Fox*  
*President*

## **ACCOMPLISHMENTS 2002**

### **Smart Growth**

*Under Governor McGreevey's leadership, Smart Growth has become a priority of his administration. President Fox is a member of the Governor's Smart Growth cabinet level team. President Fox continues to speak before a number of organizations promoting the benefits of smart growth. Below is information on the NJBPU's commitment to smart growth.*

**Implementation** – A Smart Growth Policy Team was formed on a BPU-wide basis to develop recommendations to implement the Governor's smart growth policy. The policy team is reviewing the main extension formula and the extent to which developers will be required to pay for the necessary infrastructure to accommodate growth based on where the development is occurring. Discussions with the utilities are also focusing on how infrastructure improvements can best be financed in designated growth areas to support increased development in these areas.

**Camden Area Development Service Tariff** – In Spring 2002, the Board expanded the PSE&G Area Development Service (ADS) credit applicability for a targeted area of Camden as a pilot program for three years. Qualifying customers under the existing ADS provision receive a per kilowatt demand credit for rate schedules General Lighting and Power (GLP), Large Power and Light, and High Tension Service. The existing program provides an annual credit equal to an approximate 5 percent to 10 percent savings for a qualifying new customer of at least 25 kW or an existing customer of 50 kW who adds significant new load. Under the expanded Camden ADS Pilot Program, the size limitation may be reduced to include new customers. This expanded tariff was passed as an incentive to bring new businesses to the Camden Waterfront that is part of the Governor's plan to redevelop Camden.

### **Cable Television**

*Consumer protection in the cable and other utility industries is in the forefront of the Governor's overall commitment focusing on customer service and general quality of life programs and services. Below is information on the NJBPU's action regarding cable service in New Jersey.*

**Basic Cable Rate Regulation** –The BPU is increasing efforts to provide consumer protection for New Jersey cable customers. Basic cable rates in New Jersey now stand at an eight year low due to aggressive regulation of the one portion of cable television bills the federal government permits the BPU to control.

In the past year, New Jersey subscribers have received bill credits, reduced rates and rate caps that saved subscribers well over half million dollars adding to the grand total of \$182 million dollars that subscribers would otherwise have paid cable companies since re-regulation of this industry a decade ago.

The Board's Expedited Rate Program which rewards cable companies with quick resolution of rate cases with little or no increases in the basic rates has saved the state an addition \$1 million this year in

legal costs which otherwise would be expended by the state. Comparable savings to the industry that use the Expedited Procedures are ultimately passed on to subscribers.

This innovative program has been submitted to the Federal Communications Commission for consideration by the federal government as a national model.

Aside from rate regulation, as a result of the BPU's proactive cable regulatory compliance program, we have this year attained approximately a half million dollars in penalties monies and cable subscribers. In November, the state's cable enforcement task force at the BPU reached a settlement offer that sent \$340,000 to the Department of Education for technology programs that will equip our students with the finest technology equipment and training available. The BPU has facilitated the provision of High Speed Internet Access to schools and libraries across the state and we have become leaders in the area of high-speed Internet access. State of the art technology aimed at producing and delivering the finest cable and telecommunications services to our residents has been a priority of this administration.

***Cable Service Regulations-*** On November 20, 2002, the Board approved proposed rules for publication in the NJ Register with a public comment period ending on February 17, 2003. A public hearing will be held in February 2003 and presided by a BPU Commissioner. Some of these rules codify existing Federal law; and others exceed Federal guidelines.

The FCC enforces its own regulations in broad categories of safety and programming. However, the agency does not monitor 6,000 cable systems for customer service provisions and bequeaths this to the local franchising authorities. In New Jersey, the BPU is that authority.

The proposed rules that will codify existing Federal Law include:

- *Service Call Scheduling* - Adopt federal regulations requiring service calls not to exceed four hours. Currently, appointments are scheduled as either an undefined morning or afternoon period.
- *Telephone Performance Standards* - Requires companies to answer call within 30 seconds, and transfer if necessary within 30 seconds, measured 90% of the time on a quarterly basis.
- *Customer Billing* – Require itemization of each component for all service packages and rates. Currently, charges must be itemized separately on cable bill.

The most notable of the proposed rules that exceed federal guidelines include:

- *Request for Service* - A company may only refuse providing service to a customer if it presents a hazard to life, property or physical integrity of the system. However if the company does refuse, the customer must be notified in writing and that customer has a right to appeal the decision to the BPU Office of Cable Television.
- *Outage Credits* – Customers experiencing three or more hours of service outage will receive an automatic credit on their next bill. This proposed rule reduces the threshold to three hours from the

six-hour minimum required by a 1972 statute and makes the credit to the subscriber automatic unless the outage is in one of many “exempt” categories. Many other states do not allow our liberal exemptions but define exemption as it pertains to customer fault or negligence.

***Emergency Alert System*** - The Federal Communications Commission adopted the Emergency Alert System (EAS) that had its origin in the New Jersey Office of Cable Television more than a decade ago. EAS was named to replace and expand the Emergency Broadcast System.

In February 2002, the FCC announced that it had adopted several new EAS event and location codes, which broadcast stations and cable systems may use to alert the public in the event of state and local emergencies, including a new Child Abduction Emergency event code which may be used to activate AMBER Plans. The AMBER Plan is a voluntary partnership between law enforcement agencies and the media used to alert the public of child abduction cases, where police believe that a child is in danger of bodily harm or death. Without the foresight of the BPU and the State Police Office of Emergency Management, New Jersey would not be equipped to alert citizens to emergencies from floods and hurricanes to abducted children and terror alerts that might be issued by the federal government in known specific sites.

***Competition*** - The cable companies received approval to compete in the telecommunications industry. This brings the total number of municipalities with direct competition to six. While a relatively small increase this is a step in the right direction for cable competition.

### **Customer Assistance**

*Customer Assistance remains a priority of Governor McGreevey and the NJBPU, which has undertaken a number of measures to continue to ensure customer assistance remains a priority for utilities across New Jersey. Some of the NJBPU's actions are outlined below.*

***Slamming*** – We established a unit to investigate telephone and energy slamming complaints. Slamming occurs when a customer's current service provider is changed without the proper authorization. In today's competitive telephone and energy environment it is important for the Board to actively investigate incidents of slamming to ensure that customers are protected and appropriate action taken against those companies responsible for the illegal activity.

***Customer Assistance Regulations***- The BPU amended customer assistance regulations that extend greater protection to the residential electric utility customer in New Jersey. The amendments are as follows:

Under the Winter Termination Program, 1) customers will not have their service discontinued when the temperature is forecasted to be 95 degree or greater within the next 48 hours; 2) All utilities must provide the Board's Division of Customer Assistance written notification at least 14 business days prior to the discontinuance of service to hospitals, nursing homes, assisted care facilities, public and private schools, colleges and universities, airports and major transportation facilities, and; 3) When a

customers pays the outstanding bill or makes satisfactory payment arrangements the utility must restore service within 12 hours. For Spanish speaking customers the new bill should include a statement in Spanish informing the customer that their notice of discontinuance can also be in Spanish or be mailed in Spanish by calling a toll-free number.

## **Energy**

*The Governor's commitment to a clean, renewable energy future in New Jersey is exhibited through his Energy Conference and other initiatives to promote a clean, green state. The NJBPU has an aggressive agenda for energy as outlined below.*

**Basic Generation Service (BGS) Auction** – The BPU held its first BGS auction that provided the complete electric needs of all customers that receive their energy supply from their utility. BGS is the supply default electric service for those customers in the state that have not chosen an alternative supplier as allowed by the EDECA (Electric Discount and Energy Competition Act), the energy deregulation law of 1999. The auction is an electronic, multi-round process in which the price continues to decline until the amount of electric being offered matches the load requirements of the utilities. The auction was chosen as the most competitive process to provide customers with the lowest price of the last year of transition. *New Jersey was the first state to use an auction process to secure its electric needs.* Other states are currently reviewing the New Jersey model as an option for their electric customers. This coming February, the BPU will hold its second auction.

**Deferred Balances Task Force** – By Executive Order last July, Governor James E. McGreevey created a “Deferred Balances Task Force” to examine the issue of electric utility deferred balances, (project to total near \$1 billion statewide as a result of EDECA mandated 4-year rate caps) and to report to him with findings and recommendations. In August 2002 the Task Force submitted its findings and recommendations. The Task Force recommended signing Senate Bill 869, which would allow the BPU to authorize the issuance of utility bonds to help pay the deferred balance debt, giving the BPU another tool to help ease the impact of deferred balances on ratepayers. Although these bonds may mean ratepayers are responsible for paying debts over a longer period of time, it will reduce the immediate impact on rates. In addition, S-869 contains restrictions and safeguards that would limit the use of securitization to assure that it benefits ratepayers. On September 9, 2002, Governor McGreevey signed the bill into law.

The Task Force also recommended strong consumer protections to ensure that the burden of proof for recovering deferred balances is placed squarely on the utility companies. Governor McGreevey has directed the BPU to implement such protections. The BPU has also been directed to work with the utilities to slow any further accumulation of deferred balances over the next year, before rate caps expire. Principal among these efforts will be a renewed focus on energy efficiency and conservation, as well as the continued restructuring of over-priced power contracts, and focused audits.

**Energy Summit** - In December President Jeanne Fox developed and the Governor hosted, “The Governor’s Energy Summit: The Future of Energy in New Jersey.” The Summit convened more than 150 chief executive officers, national energy experts and leaders in the environmental, consumer and energy communities and senior staff officials to develop a pro-active, long-term, comprehensive plan for energy policy. The goal of the summit was to address reducing energy costs for residents,

businesses and government; creating jobs; increasing our energy independence, and creating a cleaner, more livable New Jersey. The Governor's vision focuses on three primary goals: 1) Improving efficiency, reducing pollution, and promoting smart growth; 2) Ensuring reliability, affordability and security and; 3) Fostering and developing renewable energy industries.

***Universal Service Fund (USF)*** - In March, the BPU approved an interim USF program of \$15 million that allowed for 59,000 eligible gas and electric customers to receive a one-time credit of \$200. In October, the BPU, agreed to use the balance of the interim USF budget, with additional funding from the Department of Human Services, to provide assistance to more than 41,000 households to receive a \$100 credit on their electric bill. In November, New Jersey moved one step closer to a permanent universal service fund that ensures low-income consumers have access to affordable energy. Through the USF Program, additional energy assistance is provided to people participating in low- income assistance programs and the Low Income Heat and Energy Assistance Program (LIHEAP) and Lifeline programs.

### **Reliability and Security**

*Reliability and security are an integral part of life today. The NJBPU Reliability and Security Division has been actively involved in ensuring utility resources remain reliable and secure. The accomplishments of the division are outlined below.*

The BPU has actively participated on the Domestic Security Preparedness Task Force (DSPTF) and the associated Infrastructure Advisory Committee and other planning groups with the following results:

***Communication*** - working with the Office of Counter Terrorism to develop methods and procedures to ensure effective communications during an emergency. In the event that one or more of the traditional forms of communication (land lines or cell phones) are not available during an emergency, there must be methods for the BPU to communicate with the utilities to ensure that appropriate information is available to emergency responders and the public in general.

### **Telecommunications**

*Telecommunications is an important utility for everyone. The NJBPU has taken a number of steps to encourage competition in order to provide options to consumers. Accomplishments in the area of telecommunications are outlined below.*

***Telephone Competition*** - The BPU has put the processes and prices in place to open the local exchange telephone market to competition, addressing the following areas on this issue:

- ***Unbundled Network Elements*** - The BPU reduced Verizon's wholesale rates for the connection between the customers' home or business and the local switching office, known as the "local loop" from \$16.21 to \$9.52 or a decrease of 41%. The price for the combination of the local loop and switching known as the Unbundled Network Element-Platform or "UNE-P" was reduced by more than 40%. The BPU also modified the rate structure for access to Verizon's

switch by competitors, by further reducing, on average, the cost to competitors thereby enhancing their ability to provide local exchange service. *As a result, local phone service competition is finally a reality.*

- ***Performance Metrics and Remedies*** - The BPU approved a comprehensive set of carrier-to-carrier guidelines, which set forth minimum levels of service that Verizon New Jersey must provide to its competitors. These guidelines identify over 200 specific measurements of service and the levels of service, which Verizon must provide. The approvals also established an incentive plan to ensure that Verizon meets these minimum wholesale service quality standards. This Plan requires Verizon to pay Competitive Local Exchange Carriers and or the State monetary incentives for failure to meet BPU approved minimum service standards.
- ***Verizon's Entry into the Long Distance Market*** - On June 24, 2002, the Federal Communications Commission authorized Verizon to provide long distance service in New Jersey. This action occurred after the Board determined that Verizon was in compliance with each of the 14-point checklist items listed on Section 271 (c). This decision, along with AT&T's entry into the local market has created more choice for telephone consumers in New Jersey.

***Verizon Alternative Regulation Plan*** - The BPU approved a plan for Alternative Regulation for Verizon, which retained the Board's regulatory oversight, in order to ensure safe, adequate and proper service. Among other things, the plan included significant improvement in our existing low-income assistance program; extends discounts for schools and libraries; and does not include any rate increases. Therefore, the residential basic exchange rate will remain the lowest in the country and continue to be regulated by the BPU.

***Area Code Relief*** - The requirement for accelerated area code relief is driven by a number of factors; demand for numbers by wireless and paging carriers, demand for numbers by competitive local exchange carriers and demand for second lines for fax and internet use. Based upon the number conservation procedures implemented over the last year (as described below), the fact that numbers are assigned in 1,000 blocks, not 10,000 anymore, and the Federal Communications Commission's change of policy to consider separate area codes for specific services, such as wireless, that pressure for area code relief may be lifted for the immediate future. The Board ordered the implementation of thousands-block pooling in the 201 area to commence July 31, 2001, in the 973 area by January 16, 2002 and in the 732 area by February 15, 2002. These pools reclaim blocks of unused telephone numbers. As of September 2002, 1,740,000 telephone numbers were returned for reassignment in all areas. *The action ensures that there will be no new area codes in New Jersey for several years.*

***2-1-1 information code*** - As of January 2003, people who live in the New Jersey counties of Morris, Passaic, Camden, and Hunterdon will be able to dial 2-1-1 to gain access to information about basic needs services in their area. These services include food banks and shelters, family and crisis counseling, health and insurance programs, child care, services for the elderly such as Meals on Wheels, and others. In October 2003 the New Jersey Board of Public Utilities approved the 3-digit code, created in 2000 by the Federal Communications Commission. By approving the 2-1-1 program, the BPU created one-stop shopping for social service information that is quick and simple to access. All of New Jersey's counties are expected to implement the 2-1-1 service code by 2005.

**Water**

*The NJBPU remains committed ensuring water quality in New Jersey.*

***Drought*** - The BPU actively participated in drought management with the Department of Environmental Protection by convening a drought task force to explore the financial consequences of droughts and mechanisms to address water pricing and the smart use of water.